

Local Revenue Sources for Education

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Investing in South Carolina's Future
Task Force on Revenue
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By

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Three Groups of Issues to Explore

- Local operating resources – mostly property tax (today)
- State operating resources – especially sales and income tax (October 12)
- Capital financing – state and local (September 28)

Where Local \$\$ Comes From

Category	South Carolina (%)	Southeast (%)	United States (%)
Property tax	74.8	47.8	64.6
Other taxes	0.8	7.0	2.7
Parent-government contribution	0.0	26.2	17.3
Local govt. (nonschool)	4.2	3.6	2.4
School lunch charges	2.9	3.8	3.0
Tuition & transp. charges	0.3	0.3	0.5
Other charges	4.7	4.0	2.3
Other local revenue	12.3	7.2	7.2

Source: U.S. Census, Annual Survey of Local Government Finances, 2004-05.

Property Tax Fundamentals

- Mill rates (=0.1 cents per \$100)
- Assessment
- Classification and use value
- FILOT and other incentives
- State-funded relief
- Effects of Act 388

Setting and Changing Mill Rates

- Operating vs. debt service
- How mill rates are established
- Restrictions on millage increases
- The uniform statewide millage option

Assessment

- How property is assessed
- Assessed value vs. market value
- Five year vs. rolling reassessment
- Assessment improving strategies
- Getting property on the books faster
- Car registration enforcement
- Effect of assessment caps

Classification

- Classifications are in the state constitution
- 4% – owner-occupied residential, noncommercial agriculture
- 6% – commercial, rental, personal vehicles, commercial agriculture
- 10.5% – industrial and business property
- Use value – farm and forest

FILOT and other Incentives

- 4% agreements
- 6% agreements
- Effect on index of taxpaying ability
- Multicounty parks
- TIFs

State-funded Relief

- \$50,000 relief for elderly
- 1994-95 relief
- Additional relief through Act 388

Side Effects of Act 388

- Importance of homeowner engagement in school funding
- Change in the effective school tax base for operations
- Freezes/reduces effective millage on homeowners
- Undoes the effect of EFA on equalization

Policy Options

- Assessment Options
- Millage Options
- Classification Options
- Incentive Options
- Relief Options
- Additional revenue source options